



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 1210 Series of 2025

Subject: Revised Framework on the Selection of External Auditors

The Monetary Board, in its Resolution No. 147 dated 5 February 2025, approved the revised framework on the selection of external auditors for Bangko Sentral ng Pilipinas Supervised Financial Institutions (BSFIs) pursuant to Section 58 of Republic Act No. 8791, otherwise known as "The General Banking Law of 2000", as amended, and other relevant laws and regulations.

Section 1. Section 164/164-Q/154-S/152-P/133-N/174-T/111-CC of the Manual of Regulations for Banks (MORB)/Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) on "Framework on the Selection of External Auditors" shall be amended to read, as follows:

164/164-Q/154-S/152-P/133-N/174-T/111-CC FRAMEWORK ON THE SELECTION OF EXTERNAL AUDITORS

Policy Statement. The Bangko Sentral considers the external auditing profession as partner in promoting the safety and soundness of BSFIs. Through their audits and opinions rendered on Audited Financial Statements (AFS), external auditors contribute to enhancing corporate governance and empowering the public and investors to make informed financial decisions. In this light, the Bangko Sentral is issuing the framework for the selection of external auditors of BSFIs pursuant to Section 58 of Republic Act No. 8791, otherwise known as the "General Banking Law of 2000", as amended, and other relevant laws and regulations.

Definition of Terms

BSFIs – refers to banks, quasi-banks, trust entities and non-stock savings and loan associations, including their subsidiaries and affiliates engaged in allied activities and other financial institutions, which under special laws are subject to the Bangko Sentral supervision under R.A. No. 7653 (otherwise known as the New Central Bank Act"), as amended.

External Auditor – refers to an audit firm, partner, or an individual/sole practitioner in public practice.

Exclusion – refers to the non-inclusion or removal of the external auditors in the List of Selected External Auditors for BSFIs, as approved by the Monetary Board.

Key Audit Partners – refers to the engagement partner (or, in most cases, the signing/lead partner), engagement quality control reviewer, and other audit partners, if any, on the engagement team who make key decisions or judgments on significant matters concerning the audit of the financial statements of BSFI on which an audit firm will express an opinion.

Manager – refers to the auditor-in-charge or team leader responsible for the audit engagement's managerial or supervisory role.

Non-audit services – refers to any professional services provided to the BSFIs by an external auditor other than those provided in connection with an audit or review of the financial statements of BSFIs.

Appointment and Selection of External Auditor of BSFIs

- a. BSFIs shall engage the services of an external auditor included in the List of Selected External Auditors for BSFIs, as applicable. In this respect, a BSFI shall only appoint an external auditor belonging to the same category or from categories higher than the category of the BSFI concerned, as provided in this Section. The external auditor appointed by the BSFI shall likewise audit the BSFI's trust department and its subsidiaries and affiliates engaged in allied activities, as applicable.
- b. The Bangko Sentral may require the BSFI to appoint an external auditor from higher categories as part of the Bangko Sentral's supervisory action on the BSFI; or at the expense of the BSFI, require the external auditor to undertake a specific review of a particular aspect of the BSFI's operations/transactions.
- c. External Auditors shall be classified into three categories (A, B, C) and shall extend their services to BSFIs belonging to the same category or from categories lower than their category, as follows:
 - (1) Group A
 - (a) UBs/KBs
 - (b) Foreign banks and branches or subsidiaries of foreign banks
 - (c) Trust departments and trust corporations
 - (d) Digital Banks
 - (2) Group B
 - (a) TBs
 - (b) NBFIs with quasi-banking license
 - (c) Virtual asset service providers
 - (d) Credit Card Issuers/Acquirers
 - (3) Group C
 - (a) RBs and Coop Banks
 - (b) Non-stock Savings and Loans Associations
 - (c) Pawnshops
 - (d) Remittance and Transfer Companies/Money Changers/Foreign Exchange Dealers (RTCs/MCs/FXDs)

The above categories shall include BSFI's subsidiaries, affiliates engaged in allied activities, and Islamic banking window/unit.
- d. The external auditors' classification shall be determined based on their track record and the results of the Bangko Sentral's assessment of their continuing eligibility to be included in the List of Selected External Auditors for BSFIs.
- e. External auditors applying for inclusion in the List of Selected External Auditors for BSFIs shall adhere to the qualification and documentary requirements enumerated in Appendix 159/Q-103/S-22/P-21/N-29/T-9/CC-8. The Bangko Sentral may require additional documents as deemed necessary in line with its assessment of the application of the external auditors.
- f. Lead partners and the engagement quality control reviewers of audit firms shall be included in the List of Selected External Auditors for BSFIs and subjected to the same requirements as provided in this section. The partner's classification may be the same or lower than the classification of the audit firm, except in the event of transfers from one firm to another, wherein the

partner's classification shall be maintained until the validity of inclusion in the List of Selected External Auditors for BSFIs expires.

- g. The individual/sole practitioner or, in the case of an audit firm, key audit partners shall comply with the provisions on long association (including partner rotation) with an audit client as provided under the Code of Ethics for Professional Accountants in the Philippines, as adopted by the Philippine Board of Accountancy (BOA).
- h. The inclusion in the List of Selected External Auditors for BSFIs shall be valid for five (5) years or one (1) year, as may be determined by the Bangko Sentral.
- i. The Bangko Sentral shall not be held responsible for any liability or loss arising from the selection of the external auditors to be engaged by BSFIs for audit or non-audit services.
- j. The Bangko Sentral shall periodically evaluate the external auditor's performance by assessing the quality of the BSFI's audited financial statements and its compliance with the requirements provided under this section. The assessment results shall serve as the basis for the continuing inclusion of external auditors in the List of Selected External Auditors for BSFIs.

Audit Engagement and Reportorial Requirements

- a. The BSFI's Audit Committee/Board of Directors/Board of Trustees shall ensure that the scope of external auditor work appropriately covers areas relevant to the BSFI's operations and risk exposures. These include the following:

- (1) Review of the adoption of the reporting framework and the assessment of the accuracy, adequacy, and reliability of account records and financial reports including the review of the accompanying reports to the audited financial statements submitted to the Bangko Sentral, such as the reconciliation and the related adjustments between the AFS and the financial reporting package submitted to the Bangko Sentral.

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- b. The engagement contract of BSFIs with the external auditor shall include at a minimum, the following provisions:
 - (1) That the disclosure of information, such as those enumerated under item "c" of this Section (Audit engagement and reportorial requirements), by the external auditor to the Bangko Sentral shall not constitute a breach of confidentiality on the part of the external auditor nor shall it be a ground for civil, criminal, or disciplinary proceedings against the external auditor;

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- f. The external auditor's assessment of the continuing compliance with the provisions on long association (including rotation of partner), as provided under the Code of Ethics for Professional Accountants in the Philippines, shall be made available to the Bangko Sentral upon request.
- g. The Bangko Sentral, through the appropriate supervising departments, may conduct meetings with the Audit Committee of the BSFIs and or the external auditors as part of its supervisory activities on BSFI or annual assessment of the continuing qualification of the external auditors to be included in the List of Selected External Auditors. The meetings shall be communicated to the BSFI or external auditor, depending on the identified topics or areas of supervisory concern.

Supervisory Enforcement Action

The Bangko Sentral reserves the right to deploy its range of supervisory enforcement actions to promote adherence to the requirements outlined in this Section and bring about timely corrective actions. For this purpose, the Bangko Sentral may issue directives or impose sanctions on the BSFI and/or its directors/trustees who approved the appointment of the external auditor, who is not in the List of Selected External Auditors for BSFIs, and/or for non-compliance with the provisions of this Section.

The Bangko Sentral may downgrade the external auditor's category, or exclude the external auditor from the List of Selected External Auditors for BSFIs based on the result of its assessment of the quality of the AFS and/or non-compliance with the provisions of this Section. The guidelines on the exclusion of external auditor from the List of Selected External Auditors for BSFIs is provided in Appendix 39/Q-30/S-7/P-13/N-15/CC-4.

Transitory provisions

- a. External auditors in good standing whose validity for inclusion has expired after the audit of 2023 financial statements will be allowed to engage in the audit of the 2024 financial statements. For this purpose, external auditors in good standing refers to external auditors who are not suspended or delisted as of the date of effectivity of this Circular;
- b. All applications for inclusion in the List of Selected External Auditors for BSFIs to cover the audit of 2024 financial statements and thereafter shall be submitted to the Bangko Sentral through the Financial Supervision Sector;
- c. External Auditors who were suspended or delisted from the List of Selected External Auditors prior to the effectivity of this Circular may apply for re-inclusion after the lapse of the effectivity of suspension or five (5) years from the effectivity of this Circular in the case of delisting.

Section 2. Appendices 39/Q-30/S-7/P-13/N-5/CC-4 of the MORB/MORNBFI on the Guidelines on the Suspension/Delisting of External Auditor in the List of Selected External Auditors for BSFIs is hereby amended to read as follows:

Appendices 39/Q-30/S-7/P-13/N-5/CC-4 GUIDELINES ON THE EXCLUSION OF EXTERNAL AUDITORS FROM THE LIST OF SELECTED EXTERNAL AUDITORS

Section 1. Grounds for Exclusion of External Auditors from the List of Selected External Auditors

An external auditor included in the List of Selected Auditors for BSFIs shall be excluded by Bangko Sentral, without prejudice to the imposition of sanctions by the Board of Accountancy, under any of the following grounds:

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- f. Failure to comply with the provisions set forth under Section 164; and
- g. Refusal for no valid reason, upon lawful order of the Bangko Sentral, to submit requested documents concerning an ongoing investigation. The external auditor shall, however, be made aware of such investigation;

Section 2. Procedures and Effects of Exclusion from the List of Selected External Auditors

- a. On the basis of the results of the assessment of the quality of audited financial statements and evidence on the existence of the grounds for exclusion under Section 1 above, the external auditor shall be notified in writing by the appropriate supervising department of the Bangko Sentral of the existence of the ground for his/her exclusion from the List of Selected External Auditors for BSFIs and shall be allowed to submit within fifteen (15) calendar days from receipt of such notice an explanation on why he/she should not be excluded together with the evidence in support of his/her position.

An external auditor shall only be excluded after due notice and opportunity to defend/clear himself/herself.

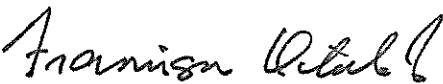
- b. Failure of the external auditor concerned to reply within the period prescribed under item "a" above, shall be considered as a waiver on his/her part of the opportunity to defend/clear himself/herself. In this respect, the appropriate supervising department of the Bangko Sentral shall proceed with the evaluation of the case based on available records/evidence.

The appropriate supervising department of the Bangko Sentral shall recommend the exclusion of the concerned external auditor from the List of Selected External Auditors for BSFIs, and the prescribed period when the excluded external auditor will be eligible to apply for re-inclusion, which depending on the results of the evaluation of the case, shall either be after the lapse of three (3) or five (5) years from date of receipt by the external auditor of the notice of exclusion.

- c. Upon approval by the Monetary Board, the external auditor concerned shall be informed in writing by the appropriate supervising department of the Bangko Sentral of his/her exclusion from the List of Selected External Auditors for BSFIs, and the prescribed period when he/she will be eligible to apply for re-inclusion.
- d. The effect of exclusion: (i) revokes the remaining validity of his/her inclusion in the List of Selected External Auditors; and (ii) precludes the external auditor from engaging in audit and non-audit services in any BSFI.
- e. The Board of Accountancy shall be immediately informed of the exclusion of the external auditor from the List of Selected External Auditors for BSFIs for their appropriate action.
- f. Excluded external auditors may apply for re-inclusion in the List of the Selected External Auditors for BSFIs after the lapse of three (3) or five (5) years, as the case may be, from the date of his/her receipt of notice of exclusion.

Section 3. Effectivity. This Circular shall take effect fifteen (15) calendar days following its publication in the Official Gazette or a newspaper of general circulation.

FOR THE MONETARY BOARD:


FRANCISCO G. DAKILA, JR.
Officer-in-Charge

17 February 2025

**MINIMUM QUALIFICATION AND DOCUMENTARY REQUIREMENTS
APPLICATION FOR INCLUSION IN THE
LIST OF SELECTED EXTERNAL AUDITORS FOR BSP-SUPERVISED FINANCIAL
INSTITUTIONS**

*(Appendix to Sec.164/164-Q/154-S/152-P/133-N/174-T/111-CC
on Framework on the Selection of External Auditors)*

I. Qualification Requirements

The applicant shall have the following minimum qualification at the time of the application and on a continuing basis:

- a. Individual/sole practitioner or partner of an audit firm
 - i. Accredited and licensed by the Professional Regulation Commission (PRC)/Board of Accountancy (BOA);
 - ii. Has at least five (5) years experience in external audit as an individual practitioner, manager, lead partner, engagement quality control reviewer or its equivalent (as previously/ currently employed in an auditing firm);
 - iii. Has established adequate quality assurance procedures to ensure full compliance with recognized standards in accounting and regulatory requirements; and
 - iv. At the time of application, the applicant must have the following track record:
 - For Category A - must have audited at least one (1) BSFI client under Category A; or at least five (5) BSFI clients under Category B; or at least five (5) corporate clients with total assets of at least Twenty Billion Pesos (P20.0 billion) each.
 - For Category B - must have at least two (2) BSFI clients under Category B; or at least three (3) BSFI clients under Category C; or three (3) corporate clients with total assets of at least Two billion Pesos (P2.0 billion).
 - For Category C - must have at least three (3) corporate clients with total assets of at least Ten million Pesos (P10.0 million).
- b. Audit firm
 - i. Must be accredited with the PRC/BOA, and the name of the partners applying for selection should appear in the attachment to the certificate of accreditation issued by the PRC/BOA;
 - ii. Must have established adequate quality assurance procedures to ensure full compliance with the recognized standards in accounting, auditing and regulatory requirements;
 - iii. Must have partners, who are selected under the same category as the audit firm is applying for at the time of application and during the validity of its inclusion in the List of Selected External Auditors for BSFIs; and
 - iv. At the time of application, the applicant firm must have the following track record:
 - For Category A - must have audited at least five (5) BSFI clients under Category A; or ten (10) BSFI clients under Category B; or at least Ten (10) corporate clients with total assets of at least Twenty billion Pesos (P20.0 billion) each.

- For Category B - must have audited at least three (3) BSFI clients under Category B; or five (5) BSFI clients under Category C; or five (5) corporate clients with total assets of at least Two billion Pesos (P2.0 billion)
- For Category C - must have audited at least five (5) corporate clients with total assets of at least Fifty Million Pesos (P50.0 Million) each.

II. General Documentary Requirements

The applicant shall submit an application to the Bangko Sentral through the Financial Supervision Sector, together with the following accompanying supporting documents:

1. Copy of a valid PRC/BOA Certificate of Accreditation or PRC Accreditation under Philippine bilateral agreements, with an attachment listing the name of qualified partner/s of the firm (as applicable).
2. Copy of the latest Audited Financial Statements of the applicant's two (2) largest clients in total assets (applicable only for new/initial application).

A processing fee of P5,000 (for individual/sole practitioner/partner) and P15,000 (for audit firm) shall be charged to the applicant. The procedural guidelines on the electronic submission of the application and the data-entry template of the application form shall be covered in a separate issuance.